

Message Text

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C O N F I D E N T I A L ATHENS 5327

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E.O. 11652: GDS

TAGS: PFOR, GR, TU

SUBJECT: MINISTER PAPALIGOURAS ON TURKISH-GREEK AID BILL

1. AT REQUEST OF COORDINATION MINISTER PAPALIGOURAS FOR MEETING, AMBASSADOR INVITED PAPALIGOURAS JULY 15 TO LUNCH AT RESIDENCE WITH HIM AND ECONOMIC COUNSELOR. PAPALIGOURAS EXPLAINED THAT HE WAS AUTHORIZED BY PRIME MINISTER CARAMANLIS TO ENGAGE IN INFORMAL EXCHANGE OF VIEWS ON TURKISH/GREEK/CYPRUS AID PACKAGE CURRENTLY UNDER CONSIDERATION IN CONGRESS.

2. PAPALIGOURAS, WHO HAD EVIDENTLY STUDIED THE HOUSE RESOLUTION CAREFULLY, BEGAN BY EXPLAINING HE DID NOT WISH TO COMMENT ON THE TURKISH AND CYPRIOT PORTIONS OF THE RESOLUTION. HOWEVER, HE SAID IN AN ASIDE (AS HAD FOREIGN MINISTER BITSIOS YESTERDAY IN A SEPARATE CONVERSATION WITH THE AMBASSADOR) THAT GOG FOUND IT UNFORTUNATE TO BE "BRACKETED" WITH TURKEY, BUT ADDED THAT HE "UNDERSTOOD" WHY THIS WAS SO.

3. TURNING TO THE PORTIONS ON GREECE, HE UNDERLINED THE IMPORTANCE ATTACHED BY GOG TO THE KINDS OF MILITARY AND ECONOMIC ASSISTANCE MENTIONED IN THE RESOLUTION, WITH THE UNDERSTANDING--AS CARAMANLIS HAD PROCLAIMED SEVERAL MONTHS AGO--THAT NO STRINGS ARE ATTACHED TO THIS AID.

HE REEMPHASIZED GOG'S SERIOUS CONCERN AT BALANCE OF PAYMENTS SITUATION. NOTING THAT TOURISM EARNINGS HEADING
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UPWARD, HE WAS NEVERTHELESS WORRIED ABOUT THE FUTURE

EXPORTS PICTURE--PARTICULARLY FOODSTUFFS--AND SHIPPING EARNINGS. HE BELIEVES THAT BANK CONSORTIUM LOANS, SUCH AS THE ONE RECENTLY NEGOTIATED IN THE "CREDIT LYONNAIS" CONSORTIUM (WHICH PAPALIGOURAS NOTED WAS COMPRISED MAINLY OF AMERICAN BANKS) ARE ONLY PALLIATIVES, AND THAT GREECE NEEDS LONGER TERM CONCESSIONAL AID IF IT IS TO AVOID THE DANGERS OF A BALANCE OF PAYMENTS BREAKDOWN AND RESULTANT POLITICAL/SOCIAL CISIS. IN THIS CONNECTION, HE ALSO EXPRESSED CONCERN REGARDING LABOR DEMANDS, OBSERVING THAT EVEN COMMUNIST UNION LEADERS WERE HAVING DIFFICULTY CONTROLLING RANK-AND-FILE. HE HOPED THIS WAS PASSING PHENOMENON, DUE TO "CATCH-UP" WAGE HIKES, BUT HINTED THAT GOVERNMENT MAY BE CONSIDERING PRICE/WAGE GUIDELINES OR CONTROLS. PAPALIGOURAS INDICATED GOG PREPARED TO WORK CLOSELY AND PROMPTLY WITH EMBASSY TO DEVELOP ANY NEW DATA REQUIRED IN CONNECTION WITH AID BILL.

4. COMMENT: WHILE WE DO NOT BELIEVE THAT DEPARTMENT SHOULD ATTRIBUTE ABOVE OBSERVATIONS ON AID BILL SPECIFICALLY TO PAPALIGOURAS OR A GOVERNMENT MINISTER, WE SEE NO OBJECTION TO INDICATING TO APPROPRIATE MEMBERS OF CONGRESS--ON A PRIVATE BASIS--THAT GOG HAS EXPRESSED A FAVORABLE REACTION AND STRONG INTEREST IN THE GREEK AID PORTION OF HOUSE RESOLUTION.
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